

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON BUSINESS AND LABOR

Call to Order: By **CHAIRMAN JOE MCKENNEY**, on January 19, 2001 at 8:00 A.M., in Room 172 Capitol.

ROLL CALL

Members Present:

Rep. Joe McKenney, Chairman (R)
Rep. Rod Bitney, Vice Chairman (R)
Rep. Gary Matthews, Vice Chairman (D)
Rep. Roy Brown (R)
Rep. Nancy Fritz (D)
Rep. Dave Gallik (D)
Rep. Kathleen Galvin-Halcro (D)
Rep. Dennis Himmelberger (R)
Rep. Carol C. Juneau (D)
Rep. Jim Keane (D)
Rep. Rick Laible (R)
Rep. Bob Lawson (R)
Rep. John Musgrove (D)
Rep. William Price (R)
Rep. Allen Rome (R)
Rep. Donald Steinbeisser (R)
Rep. Brett Tramelli (D)
Rep. James Whitaker (R)

Members Excused: Rep. Sylvia Bookout-Reinicke (R)

Members Absent: None.

Staff Present: Gordon Higgins, Legislative Branch
Jane Nofsinger, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB302, HB301, HB300, HB307,
1/19/2001
Executive Action: HB279, HB300, HB301, HB198

HEARING ON HB302

Sponsor: REP. DICK HAINES, HD63, Missoula

Proponents: Tim Murphy, Department of Natural Resources
Jan Van Riper, State Auditor's Office
Pat McKelvey, Lewis & Clark County Project Impact
Sam Samson, Jefferson County
Jacquelin Lenmark, American Insurance Association
Greg VanHorsen, State Farm Insurance Company
Roger McGlenn, Independent Insurance Agents

Opponents: None

Opening Statement by Sponsor:

REP. DICK HAINES, HD63, Missoula, said this bill would allow insurance companies to reduce fire insurance premium rates on homes where homeowners have taken steps to suppress fire. He said the bill had arisen from the controversy surrounding the summer wildfires of 2000. He told the committee there was a great deal of frustration during the fires because homeowners either did not know what to do to improve their homes against the danger of fire, did not have time or did not want to "ruin" the natural beauty of their home's setting. He told of an instance where one homeowner took proper precautions, trimming brush and clearing and then his neighbor threatened him with a lawsuit saying he was ruining the wilderness. When the fires were over the first owner still had a home and the second homeowner's home was ashes. He told the committee if homeowners can be encouraged to take the steps to suppress fire around their home and use fire resistant materials it will not only reduce costs but it will save time and save lives.

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Proponents' Testimony:

Mr. Murphy testified the bill would serve as an excellent start to reduce loss from fire. He said 321 homes were burned from the summer of 2000 wildfires and 5800 homes were protected. He said the Department of Natural Resources has had guidelines in place since 1993 as prepared by the Department of Justice.

EXHIBIT (buh15a01)

Ms. Van Riper testified that she supported the bill with some amendments and presented written testimony. **EXHIBIT (buh15a02)**

Mr. McKelvey said he had earlier testified to the committee on the similar bill, HB139, and asked the committee to refer to his testimony at that time. He presented his written testimony.

EXHIBIT (buh15a03)

Mr. Samson testified he supported HB302 and had been a witness at the hearing on HB139. He asked the committee to refer to his testimony during the HB139 hearing.

Opponents' Testimony:

Ms. Lenmark said the bill is similar to HB139 and her testimony would be the same as it was on HB139: she strongly opposed the bill. She reminded the committee she felt the bill was premised on the wrong understanding and it was wrong to mandate reduction of fire insurance premiums rather than a correct and accurate and development of premiums. She noted former State Auditor Mark O'Keefe had conducted a study which showed Montana state rates are appropriate. She said also the effective date needs to be modified as it does not give the appropriate amount of time. She said if the premium reductions were permissive rather than mandatory, she would support the bill with the exception of the effective date.

Mr. Van Horsen said he opposed the bill in its current form. He said aside from a mandatory rate reduction being required he was concerned about the cost aspect of the bill. He said even with annual reinspection, fire hazards can regrow and redevelop. There is also a cost associated with mandatory rate reduction he said. Furthermore, he said the fire portion was a very small portion of the premium as the premium included other types of loss such as wind, hail, and water. He testified that most fire loss begins inside the house and said losses are classified by inside and outside causes. He said education is a factor to reducing premiums and agents work with homeowners every day to help them lower premium costs.

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Mr. McGlenn testified he represented agents around the state and although he was sympathetic with HB139 And HB302, he felt that agents already tried to have homeowners take preventative measures. He said in fact many policies would not even be written by insurance companies if homeowners in fringe areas had not taken preventative measures.

Informational Testimony:

Mr. Dwayne Harp, U.S. Forest Service, presented written testimony. **EXHIBIT(buh15a04)** He said his agency worked to promote proper management and fire resistant materials.

REP. MCKENNEY discussed the possibility of putting these similar bills into a sub-committee to be studied and possibly combined into one bill.

Questions from Committee Members and Responses:

REP. LAWSON asked **Ms. VanRiper** if companies now allow for premium reductions for fire suppression efforts by homeowners and if homeowners could shop around for the best rate. He then asked if the homeowner could be sure a policy with a discounted rate was credible. **MS. VanRiper** said the insurers did factor in the rate reductions now, homeowners could determine which companies allowed reductions in figuring their premiums, and other policies for rate reduction such as "55 Alive" worked well.

REP. HIMMELBERGER asked **Mr. Murphy** if the booklet he presented as evidence was available to the public. **Mr. Murphy** replied yes it was and has been available since 1993.

REP. MATTHEWS asked how the bill would impact eastern Montana and if there were any training or programs available there in fire suppression. **Mr. Murphy** said there were programs available in eastern Montana.

REP. LAIBLE asked **Mr. Murphy** about the guidelines for homeowners and if there would be a sliding scale. **Mr. Murphy** said his department would provide the homeowner with what they could do and the insurance company would decide what the reduction would be.

REP. LAIBLE asked **Ms. Lenmark** if this bill passed would someone else dictate the insurance rates and then would all rates be raised. **Ms. Lenmark** responded there could possibly be an unwillingness of companies to participate in this market. Montana represents .003% of the national market, and this must be considered in making a business decision.

Closing by Sponsor:

REP. HAINES reminded the committee the intent of the bill was to get the homeowners to take steps to protect their property. He said he too believed that education was important but it was not happening. He closed by saying the loss is not always one of property, but can be a loss of lives. He also addressed fire

hazard in eastern Montana, saying grassland fire can be extremely fast-moving and dangerous.

HEARING ON HB301

Sponsor: REP. DAVID WANZENRIED, HD68, Missoula

Proponents: None

Opponents: Nancy Butler, State Fund
Jacqueline Lenmark, American Insurance Association

Opening Statement by Sponsor:

REP. DAVID WANZENRIED, HD68, Missoula asked the committee to delay action on the bill until some technical problems are resolved.

Proponents' Testimony: None

Opponents' Testimony:

Ms. Butler stated she was in opposition to the bill. She urged the committee to table or not pass HB301.

Ms. Lenmark said she appreciated REP. WANZENRIED's recognition of technical problems with HB301 and she asked the committee not to pass HB301.

Questions from Committee Members and Responses: None

Closing by Sponsor: None

HEARING ON HB300

Sponsor: REP. DAVE WANZENRIED, HD68, Missoula

Proponents: Tom Harrison, Robert J. Peccia Associates

Opponents: None

Opening Statement by Sponsor:

REP. DAVE WANZENRIED, HD68, Missoula, said the bill revises the way in which an independent liability fund may be terminated. He then turned the hearing over to testimony.

Proponents' Testimony:

Mr. Harrison stated Robert J. Peccia Associates was the only firm in Montana operating under the act being revised by HB300. He said the act allowed the firm to put money in a fund to provide for malpractice coverage and to pay the deductible which is \$5000. At this point there is over \$700,000 in the fund, he told the committee. The previous act required the fund to be maintained for 15 years following termination and HB300 changes this period to 5 years. This change shortens the period so that in the event a company sells or changes its operation this money will be available. A company could purchase a 5 year policy if they took their money out of the fund.

Opponents' Testimony: None

Closing by Sponsor:

REP. WANZENRIED urged the committee to approve the bill.

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HEARING ON HB307

Sponsor: REP. STEVE GALLUS, HD35, Butte

Proponents: Dr. Rick Donovan, Professor at Montana Tech
Evan Barrett, Butte Local Development Assn.

Opponents: None

Opening Statement by Sponsor:

REP. STEVE GALLUS, HD35, Butte, told the committee that HB307 pertained to "agile virtual enterprise" which he defined as a business-to-business e-commerce management system which re-invents the way traditional business is conducted. The system brings together vastly different companies to achieve and sustain a competitive advantage. The Montana university system will be linked with the agile virtual enterprise system for resource sharing and essential training. HB307 asks for \$400,000 to be given the Board of Regents for the development of agile virtual enterprise technology.

Proponents' Testimony:

Dr. Donovan showed the committee a power point presentation which he designed entitled "Rocky Mountain Agile Virtual Enterprise (RAVE)". He said traditional economic models ignore existing industries. He said one possibility is concurrent engineering

among companies which allows for resources to be integrated and data to be centrally controlled. Vastly different companies can be brought together in a collaborative organization to achieve a competitive edge he said. **EXHIBIT (buh15a05)**

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Mr. Barrett called RAVE one of the most creative and successful models for economic development he had ever seen. He said it combines technology with Montana businesses, most of which are small businesses. He called RAVE an exciting opportunity to receive a return on an investment which would reap huge benefits. He said the companies which will be able to benefit are those who are willing to do something in a new and different way.

Opponents' Testimony: None

Questions from Committee Members and Responses:

REP. LAIBLE asked **Dr. Donovan** why this was successful in Pennsylvania which is considered the "rust belt." **Dr. Donovan** said Gov. Tom Ridge came into office and looked around and said that even if they were not going to be making more steel, Pennsylvania had people who knew how to make things. He recognized this model for economic development and was not afraid of trying something new.

REP. BROWN asked **REP. GALLUS** about the \$8,000,000 the university system was given for research during the special session and if this project would fit into that budget. **REP. GALLUS** said he had not talked to them but had talked to the Governor's Office which is currently looking for an avenue to fund this and wants to keep the bill moving in the legislature. He added by the time it reaches the Appropriations Committee then there should be an answer regarding the funding. He said the legislature could not afford to wait two more years.

REP. MUSGRAVE asked **REP. GALLUS** if other universities would be included or if it was limited to Montana Tech. **REP. GALLUS** said all university units could and would be included.

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REP. GALLIK asked **Mr. Gallus** if this system competed unfairly with private enterprise. **REP. GALLUS** answered it does exactly the opposite. He said businesses are given the tools to grow. The university's role is education he added.

REP. GALLIK asked **Dr. Donovan** if several businesses collaborated would there be patent problems. **Dr. Donovan** said the agile web companies are competing within a collaborative business network and to date he knew of no conflicts.

Closing by Sponsor:

REP. GALLUS thanked the committee and said he shared Dr. Donovan's vision and hoped the committee did as well. He said this was the future of commerce even if it does have a price tag. He asked the committee to move HB307 forward and then see if there is money.

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EXECUTIVE ACTION ON HB302 & HB139

REP. MCKENNEY told the committee that HB302 and HB139 were very similar bills regarding insurance reduction for fire suppression measures taken by homeowners. He said different bills address similar issues and can often be consolidated into one bill. **REP. GALLIK** agreed and said the bills were almost identical and involved the same witnesses. He said amendments had been worked out and he believed HB302 could be consolidated into HB139, adding **REP. HAINES'** name as a co-sponsor. **REP. BROWN** asked if **REP. HAINES** had agreed. **MR. GALLIK** said **REP. HAINES** would be happy if they could bring the bill out of committee and on to the floor but he had not been able to talk to him that morning. **REP. LAWSON** said he thought **REP. HAINES** should be asked his opinion. **REP. GALLIK** rescinded his request for action on the bill and said he would talk further with **REP. HAINES**.

EXECUTIVE ACTION ON 279

Motion/Vote: **REP. MCKENNEY** moved that **HB279 DO PASS AS AMENDED**. Motion carried unanimously.

EXECUTIVE ACTION ON HB300

Motion/Vote: **REP. PRICE** moved that **HB300 DO PASS AS AMENDED**. Motion carried unanimously.

EXECUTIVE ACTION ON HB198

Motion: **REP. GALLIK** moved that **HB198 BE AMENDED**. **Motion/Vote:** **REP. BROWN** made a motion to postpone action on **HB198**. Substitute motion carried 18-1 with Juneau voting no.

EXECUTIVE ACTION ON HB301

Motion/Vote: **REP. BROWN** moved that **HB301 BE TABLED**. Motion carried unanimously.

ADJOURNMENT

Adjournment: 11:45 A.M.

REP. JOE MCKENNEY, Chairman

JANE NOFSINGER, Secretary

JM/JN

EXHIBIT (buh15aad)